The Effect of Certificate of Need Laws on Health Care Delivery

A Ten State Comparison with Georgia

William S. Custer, Ph.D.

Patricia Ketsche, Ph.D.

Georgia State University

Robinson College of Business and the Georgia Health Policy Center

Conceptual Framework

- Effective CON laws limit competition
- Two theoretical effects of limits on competition:
  - Increased competition lowers costs and increases quality
  - Increased competition increases costs and lowers quality by preventing providers from exploiting economies of scale and scope

Conceptual Framework

- If competition lowers costs, economic theory suggests limited regulation
- If competition increases costs, theory suggests regulation to limit entry and control prices
  - Does the fact that public programs account for over 60% of hospital expenditures amount to price regulation?

Hypotheses

1: Does CON restrict the supply of services?

2: Does CON provide monopoly power?

2a. Does reliance on public payers mitigate market power?

3: Does CON affect hospitals' abilities to provide care to the uninsured?

4: Does CON affect consumer costs?

5: Does CON affect the quality of health care services?

Research Methods

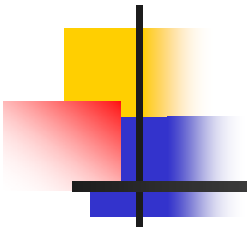
- Compare “Control Group” to “Treatment Group”
  - Ideally, Control and Treatment groups identical except for treatment.
- Issues:
  - CON laws not identical, nor identically administered.
  - Health Care Markets differ in structure and outcomes for a number of reasons that may not be associated with CON laws

Research Methods

- Need a careful typology of CON regulatory environments.
- Need enough data on local health care markets to control for confounding effects including market structure, demand for health care services, and non-CON regulatory environment.

Data

- Regulatory environment
- Market Structure
- Financial Performance
- Utilization
- Costs
- Quality



Constraints

- Time
- Resources
- Availability of Data

Solutions

- Hospital Discharge Data
  - Has utilization for all inpatient services for all payers
  - 10 states
    - States are representative of a variety of demographic and market characteristics
  - States represented a cross section of Certificate of Need regulation

State CON Laws

State	Number of Services	Rank	Other
Georgia	22	24.2	
Maine	24	21.6	
West Virginia	23	20.7	
Washington	16	12.8	
Iowa	9	8.1	
Florida	9	6.3	
Massachusetts	16	4.8	
Wisconsin	4	4.4	Repealed, 1987 Reinstated for LTC
Oregon	2	2.4	
Colorado	0	0	Repealed, 1987
Utah	0	0	Repealed, 1984

Hospital Discharge Data

- Has patient origin data that allows us to map local markets
- Can examine utilization by patient characteristics, service, and payer type
- Can examine care provided to uninsured
- Can utilize AHRQ quality indicators
- Combine with American Hospital Association surveys to identify trends in local markets over time.

Source: American Health Planning Association

Methodology-Acute Care

- Survey states to create typology of regulatory environment
- Map hospital markets
- Examine demand for health care services within each market
- Describe changes within market structure over time

Methodology-Acute Care

- Compare across markets and regulatory environment:
  - Market structure
  - Hospital financial performance
  - Utilization by service and payer type
  - Costs of care by service
  - Quality of hospital care

Methodology-Long Term Care

- Use hospital markets
  - Larger geographically than typical nursing home market
- Compare
  - Market structure
  - Nursing home financial performance
  - Utilization
  - Quality of Care

Data

- Hospital Discharge Data from 11 States
- Large Employer Claims Data from 11 States
  - Allows estimate of actual prices for all providers.
  - Measures of distribution of risk
  - Quality measures

Data

- Hospital Cost Reports from Solucient
  - Examine hospital performance
- Area Resource File Data
  - Examine market structure
    - Changes in physician supply by specialty
  - Measures of demand for health services
    - Population Demographics

Data

- American Hospital Association Annual Survey:
  - Examine trends in hospital characteristics
  - Changes in Market Structure
- Online Survey, Certification, and Reporting (OSCAR) database and the Minimum Data Set
  - Nursing home market structure, utilization, payer mix and quality
- Outcome and Assessment Information Set
  - Home Health Care quality

Work Plan

July 1

- Begin mapping hospital markets
- Develop questionnaire for state planning agencies, Medicaid offices and licensure boards
- Clean and develop Area Resource File data by state

July 27 Contract Signed

July 28 - Aug 5:

- Purchase, collect and organize data
- Survey States

Aug 5 - Sept 15: Analysis

Sept 31: Issue Report